



EUROPEAN UNION
DELEGATION OF THE EUROPEAN COMMISSION

Head of Delegation

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February 24, 1999

The Honorable
Charles Rangel
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Rangel,

Thank you for your considered and thoughtful letter to the editor of the Washington Times regarding the conflict in the WTO between the European Union (EU) and the US over the EU's banana regime. I share the concern you rightly highlighted for the economic consequences of the WTO decision on the Caribbean Basin nations whose exports are the subject of the debate.

There are some additional facts about our policies in the Caribbean, not mentioned in your letter, to which I would like to draw your attention. Firstly, the EC does not collect any tariffs from the nations of the Caribbean, so to establish an aid program based on such tariffs would not be possible. You should be aware of the fact that since 1990 we have provided about \$175 million U.S. dollars in various types of programs designed to stimulate positive alternatives to the mono banana crop culture in these islands. Our programs have emphasized small business development including micro enterprise loans to small business run by women, as well as the development of alternative crops and farming techniques.

And just as important, we regard our efforts to promote positive economic development as an alternative to the lucrative narcotic trade, which, as we all know, is already present in very significant ways in the region. One significant goal of the banana regime is to provide an alternative to the lure of illegal drug trafficking.

That, in fact, is the heart of the quandary. We believe that besides our historic relations with the Caribbean Island states we have legitimate economic and social obligations to the people of the region. The Caribbean banana industry of many of these islands is economically uncompetitive at present. We believe it would be destroyed if, as some have suggested, it had to compete in a completely free market. The economic and social devastation created by such a move would only strengthen the move toward illegal crops.

In our view, the new EU banana regime of tariff quotas and licensing, which we believe implements the WTO's decision, provides the best alternative to protect these fragile economies from the full brunt of global competition at a time when development must help them to make the transition away from dependence on monocrop culture. Let me add, for your information, that in the current negotiations for a new EU/Africa, Caribbean, Pacific (ACP) framework agreement after the year 2000, the EU has put on the table substantial financial and technical assistance to develop alternative arrangements including diversification. These would guarantee aid packages of \$444 million for ten years, \$54 million (US) annually for the first five years.

Under these circumstances we have been reluctant to renounce our regime in the face of the US threat of economic sanctions against European producers. The EU has taken the historic step of asking the WTO to determine whether our new banana regime conforms to WTO rules and Ecuador has followed suit. The WTO will provide its ruling in mid-April.

We expect that the WTO will find our policy compatible with our international obligations. But even if it determines that there are problems, we would hope that people of good will on both sides of the Atlantic could work together with the Caribbean States to achieve a common solution to the economic difficulties they face. In this context, a decision by the Administration to withhold proposed retaliation on March 3 and to wait a month for the WTO to rule on our new banana regime could prove instrumental.

I enclose charts outlining the level of imports (in volume and quantity), the import price (in dollars per metric ton) and the import cost of bananas, for three groups of countries: the Dollar Bananas, the Caribbean bananas and all others. As you will see, Caribbean bananas are not only economically uncompetitive, they also make up a small percentage of all of EU imports and virtually none for the US market.

Again, thank you for taking such a careful and balanced position on this issue. Thank you also for letting us present our side of the story. If you have any further comments or questions on this issue I am ready to discuss them with you at any time

Sincerely,

A handwritten signature in black ink, appearing to read 'Hugo Paemen', with a long, sweeping horizontal line extending to the right.

Hugo PAEMEN
Ambassador

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EU, US banana trade statistics



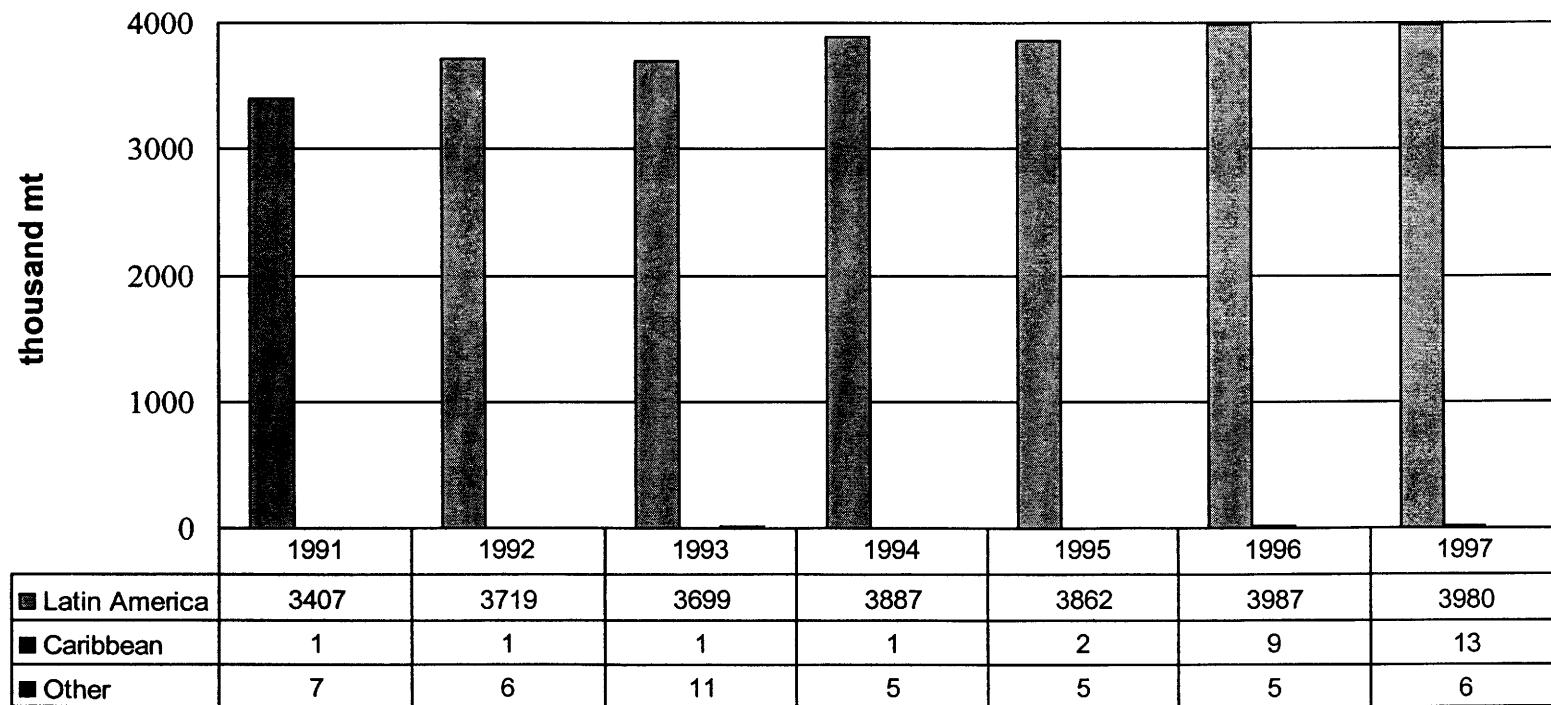
Period: 1991-1997

Source: Eurostat, USDA

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US banana imports (thousand mt)

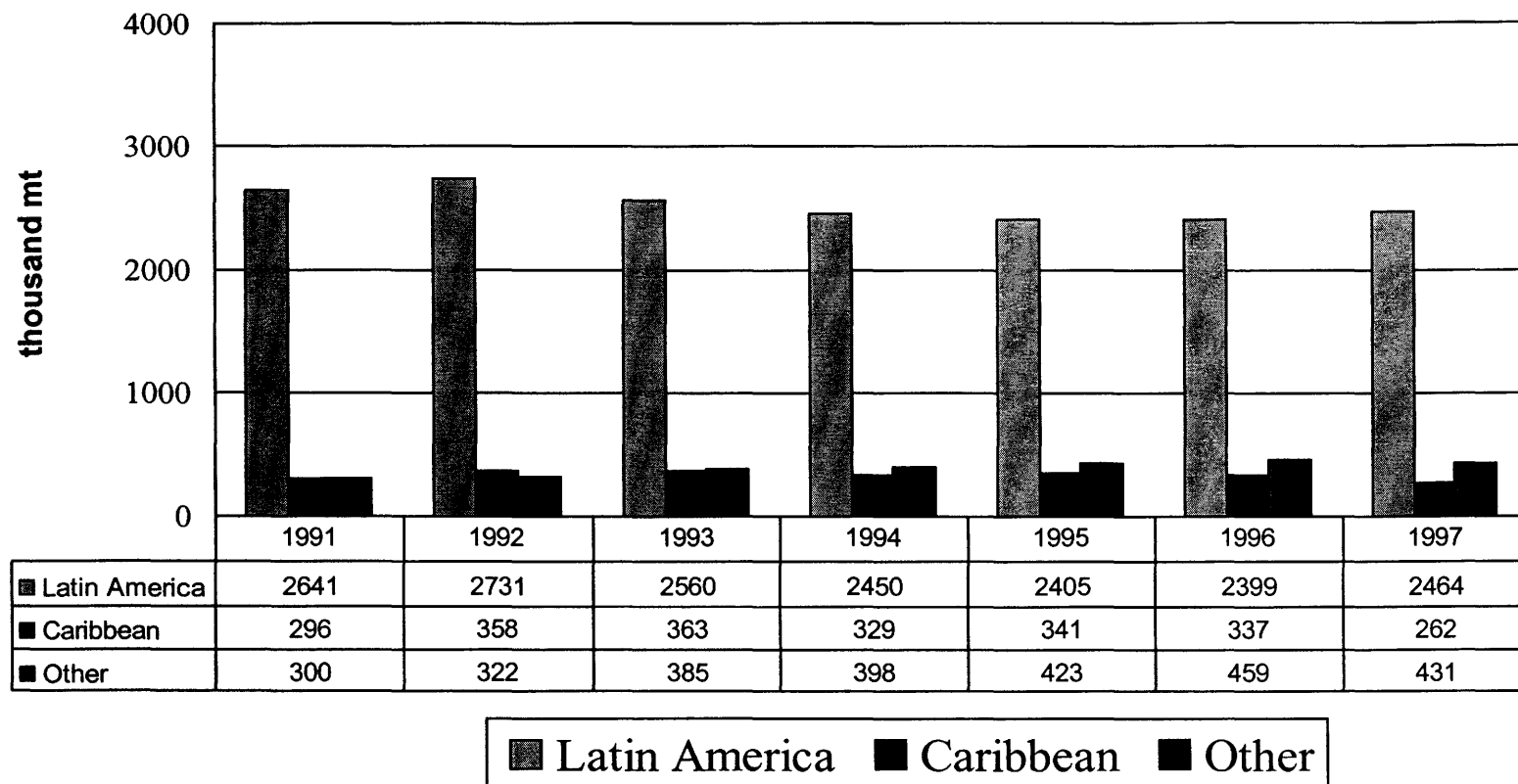


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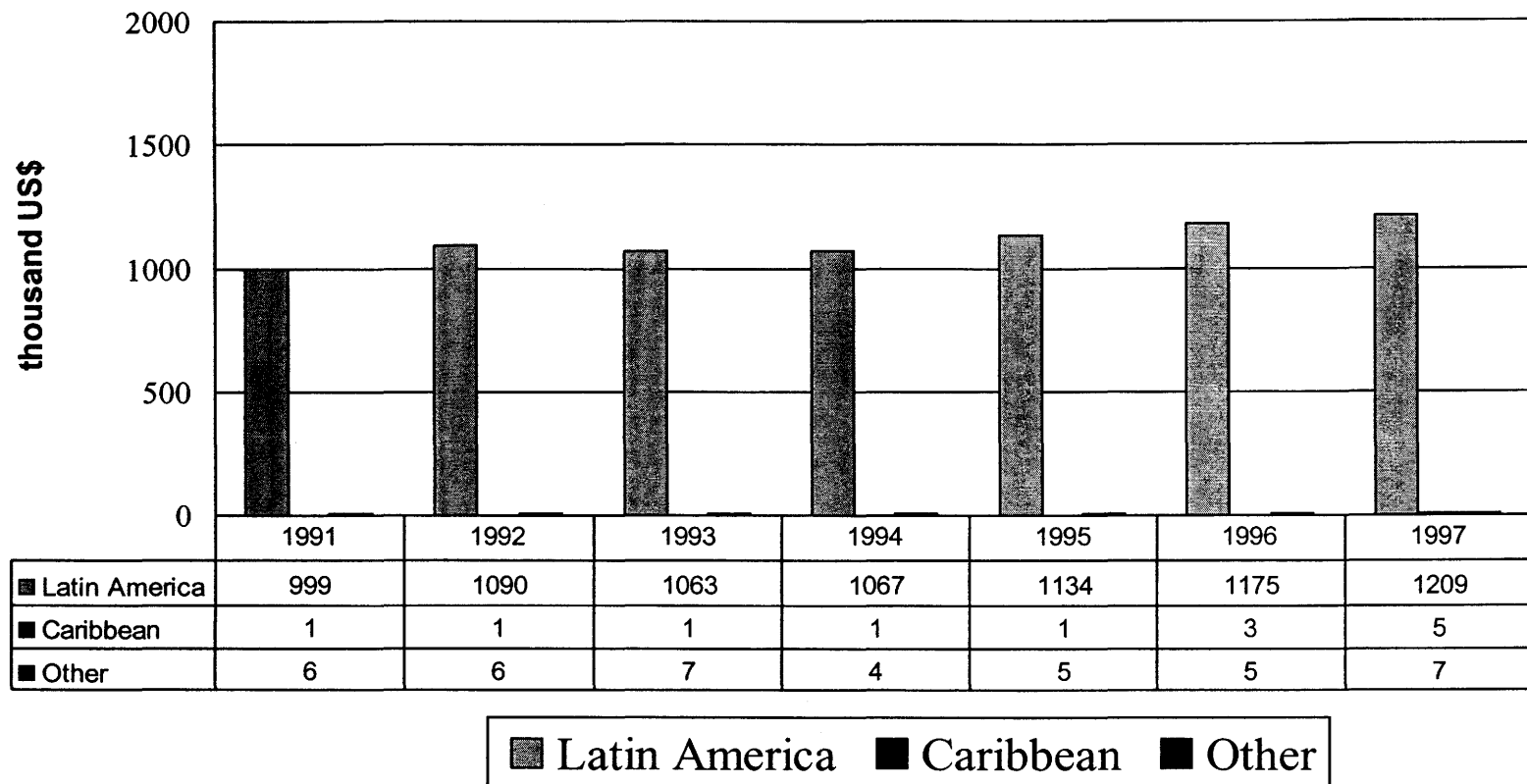
EU banana imports (thousand mt)



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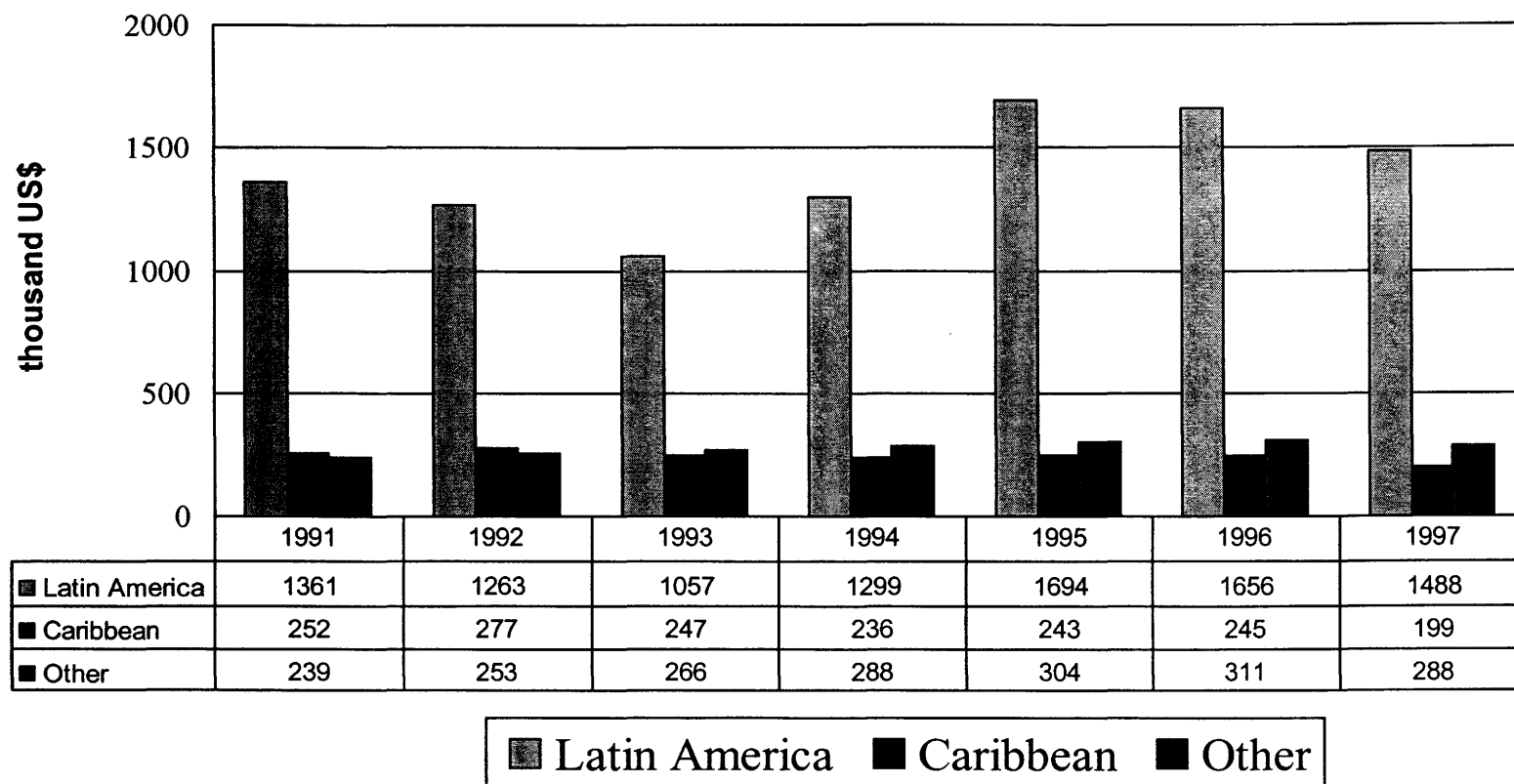
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US banana imports (thousand US\$)



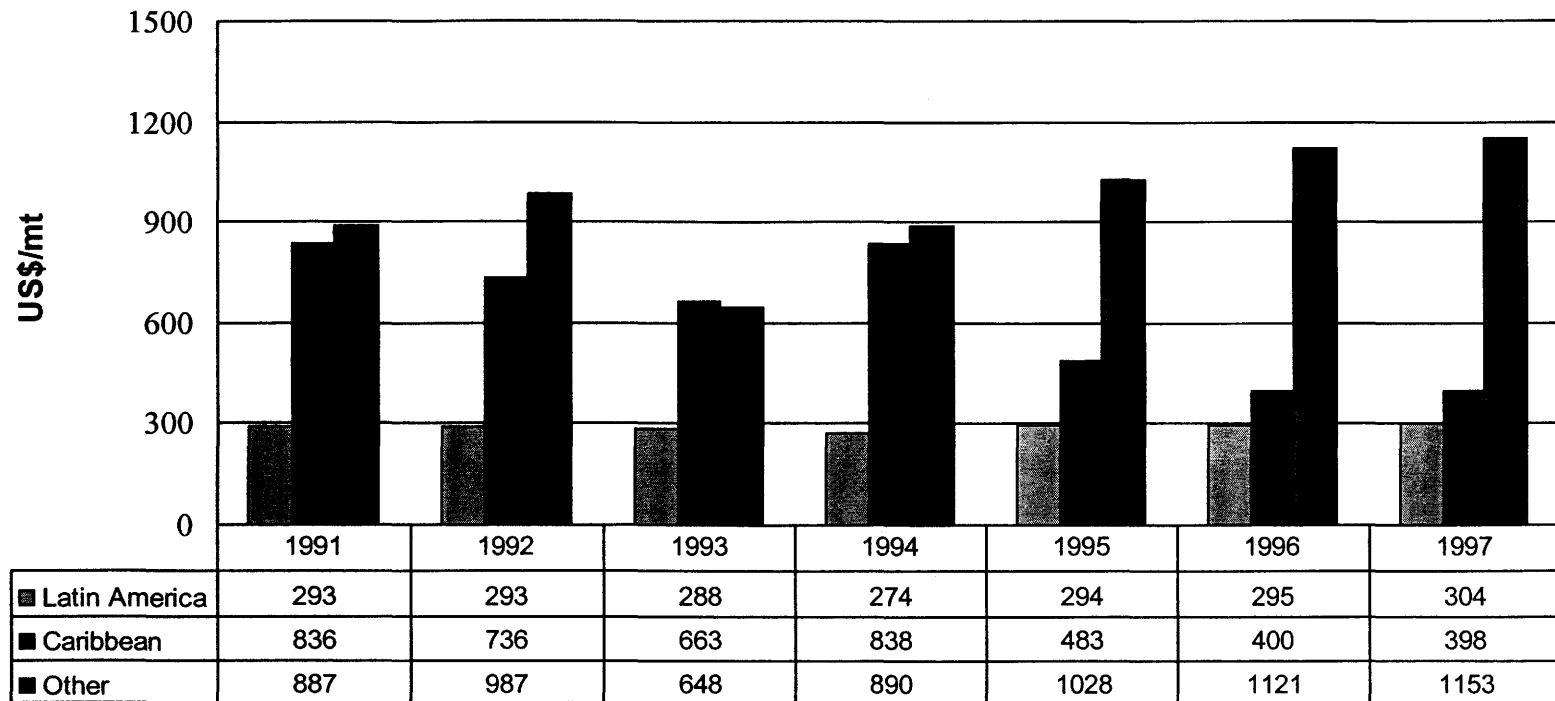
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EU banana imports (thousand US\$)



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US import price (US\$/mt)

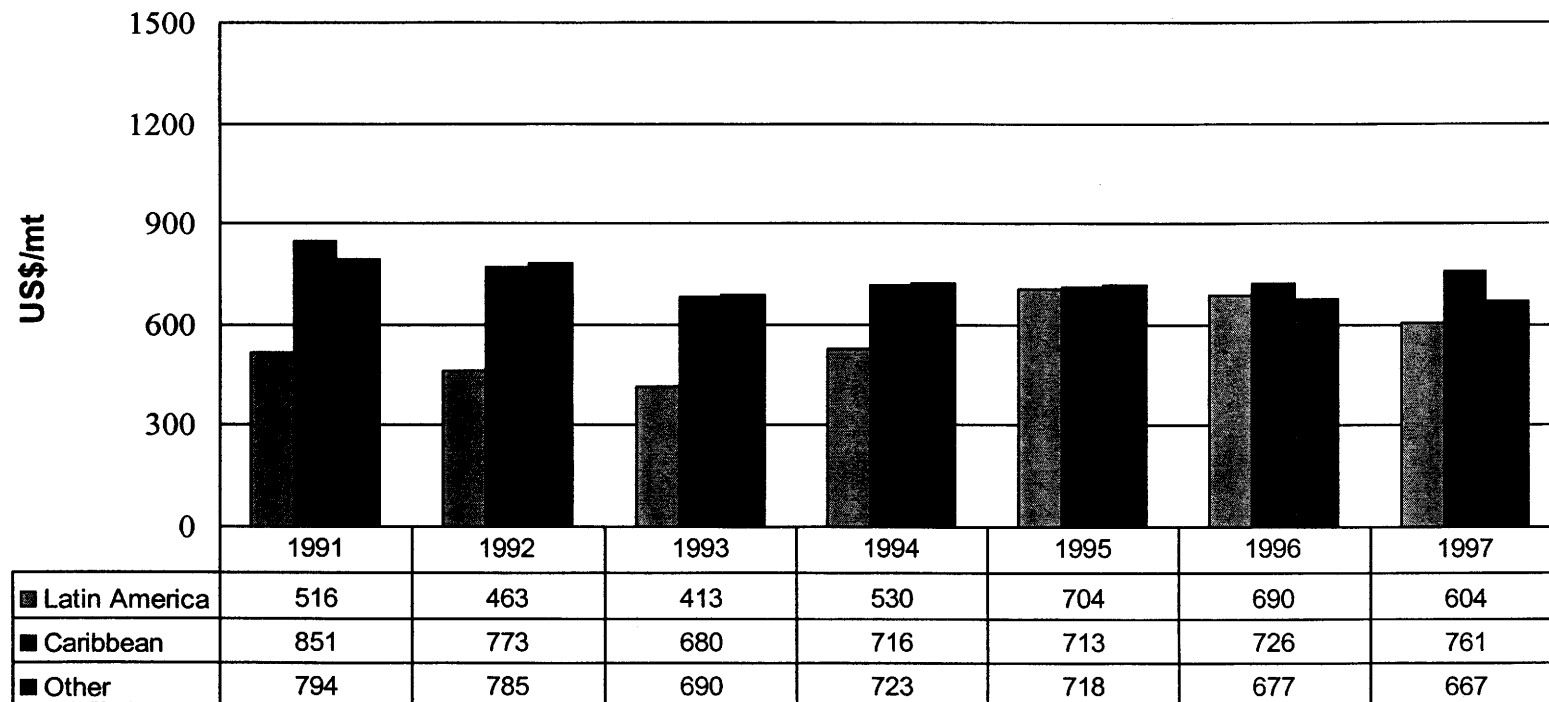


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EU import price (US\$/mt)



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